

## **FINANCE DEPARTMENT**

William R. Scollins, III (Randy)

Finance Director / Town Accountant

### **Overview**

The Finance Department is comprised of five areas, staffed with 9 full time and 1 part-time personnel, as well as a shared technology staff, responsible for a variety of financial and technical functions as follows:

### **Administration Division**

The Administration Division, staffed by Finance Director / Town Accountant Randy Scollins, is responsible for day-to-day operational oversight and management of the Finance Department.

The Finance Director also provides financial and general support to, and/or served on, multiple committees including the following: Advisory Committee; Audit Committee; Board of Assessors; Board of Selectmen; Capital Improvement Planning Committee; Employee Insurance Advisory Committee; Industrial Development Finance Authority; Non-Union Benefits Committee; Sewer Sub-Committee; Southeastern Regional School Building Committee; Town Asset Review Committee; Town Hall Building Sub-Committee; as well as various municipal union bargaining committees.

Fiscal 2011 was yet another challenging year due to continued state aid reductions. The Town was able to initially balance its \$56.2 million operating budget (*a \$2.1MM, or 3.8%, increase over FY 2010*) primarily due to an excluded debt tax increase, increased reliance on excess local receipts (*a primary source for the following year's free cash reserve replenishment*), current free cash reserves, no new major spending or program initiatives and wage concessions. Besides the new \$840K debt service associated with the debt excluded high school renovation project, the increase in the budget only reflects the cost of covering FY '10 expenses and contracts in FY '11. The departments with the largest increases were: 1) School Department - \$700K; 2) Health Insurance - \$519K; and 3) Fire Department - \$95K. The net change of all other operating budgets was a reduction of \$98K.

Another major focus was the administration of, and fiduciary guidance for, the FY 2012 budget process. (*The Town's fiscal year ends in June.*) FY '12 was an equally challenging year to continue to meet the budgetary objective of maintaining current service levels.

The final operating budget was balanced at \$57.3 million, a \$1.1 million increase over FY '11, or 2.01%. This was a significant achievement given the relatively modest new revenues available. New growth taxes rebounded slightly to \$585K, up \$191K from FY '11. The state aid picture became more complicated in FY '12. Regular "Cherry Sheet" state aid was relatively flat with a net \$78K reduction. However, this was more than offset by the last of the state's pass through of federal education aid which amounted to \$543K which the School Administration shared in a cooperative effort to balance the town-wide budget without cutting services.

State aid from the Massachusetts School Building Authority (MSBA), for the payment of debt associated with the Igo School renovation, ended in FY '11. However, given that these final payments to the Town were long overdue "true-up" payments, they exceeded the project's remaining debt service and had resulted in a subsidy to taxpayers for the last three years in the amount of ~\$450K annually. So in FY '12 with the Igo debt service fully paid off in FY '11, and no more MSBA payments for the project, excluded debt taxes increased by the amount of this subsidy. However, the taxpayers did receive the full amount of the state assistance for this project with \$1.5 million of the final state aid payments "back loaded" to synch up with the last three years of the associated bond payments.

The Town also completed a review of fees charged for departmental services and increased those that were deemed to be low. These increased fees helped to offset a reduced commitment of local receipts to the budget, as local receipts had been over leveraged in FY '11 to assist in balancing that year's budget. Negotiated increases to employee health insurance co-pays and deductibles and no cost of living adjustments for those employee groups with expiring contracts combined with savings associated with the rebidding of energy contracts and a level services guideline were the other critical components to balancing the FY '12 budget.

As the recent experience of fiscal 2010, 2011 & 2012 continues to indicate, the unpredictability of State Aid revenue continues to be a concern. Net State Aid (gross State Aid revenues less State assessments) funds a shrinking share, now 16.6%, down from about 20%, of all General Fund budgets for the Town of Foxborough. Net State Aid in FY '12 was \$8.74 million, including \$543K in a federal pass through grant for education. Fluctuations in this revenue

stream have significant impacts on the Town's ability to sustain and fund services.

The Town's net State Aid peaked in FY '01 and then endured three consecutive years of substantial declines. Although net State Aid started to increase in FY '05, it has declined again for the three out of the last four years including FY '12. On an inflation adjusted basis the Town has endured a net loss of over \$17.4 million in State revenue since FY '01. In FY '12 the Town is still \$2.3 million below the FY '01 net State Aid level on an inflation adjusted basis. These are real, substantial and sustained revenue declines with real and negative impacts on the Town's finances. Consequently, the Town continues to struggle to sustain, improve, and in many cases, just return to prior service levels provided to the community.

The FY '12 General Fund operating budget of \$57.3 million reflects a \$1.68 million reliance on Free Cash. This is a \$170 thousand decrease over FY '11, reflecting the long-term budget balancing strategy of decreased utilization. A declining reliance is more desirable, and the proposed FY '13 budget reflects a continued reduced reliance as we work to restore some of the flexibility provided by the Town's reserves. Also in FY '12 the Town was able to fund its General Fund capital improvement needs totaling \$1.1 million primarily from \$749 thousand in free cash, \$315 thousand from ambulance receipts and \$50 thousand from a School revolving account, avoiding the need to borrow for basic capital needs.

The Town continued, for the fifteenth straight year, to rely on taxing to the levy limit allowed under Proposition 2 ½, which added \$821 thousand in new revenue. 80.3%, or \$907 thousand, of the \$1.13 million increase to the General Fund budgets was due to increases in three departments: School = \$407 thousand; Health Insurances = \$326 thousand; and Pension Assessment = \$174 thousand. These increases, combined with relatively depressed State Aid levels, continue to add to the significant downward pressure on all other operating budgets.

As we finalize the FY 2013 budget we are seeing proposed net State Aid being reduced slightly yet again. The Town continues to utilize all the tools at its disposal to attempt to maintain services.

The aggressive budget management activities of the last two years are continuing to pay lasting dividends. Rebidding of contracts, consolidation of operations, wage & health insurance concessions, combined with increases in fees & fines and prudent use of reserves are setting the stage for a possible FY '13 surplus.

At the end of FY '11 the Town joined most of its neighboring towns and adopted the local option meals tax of 0.75%, which was implemented at the beginning of FY '12. Revenue is estimated at \$600 thousand in FY '12 for only 10 months. FY '13 will be the first full year of meals tax receipts due to timing quirks with the State's quarterly collection and payment cycle. Full year revenues are estimated at \$750 thousand. As of this writing the Town has received \$264,606 for four months. The Board of Selectmen adopted a policy allowing these receipts to be used for the Town's Retiree Health Insurance costs (OPEB) and for road improvements. Town meeting allocated \$300 thousand to OPEB and \$75 thousand to roads to date. As per policy, Meals Tax receipts will not be used to fund operating budgets.

### **Assessing Division**

The Assessing Division is staffed by Chief Assessor Hannelore Simonds, Assistant Assessing Officer Deborah Cochrane and Assessing Clerk Kelly Blair.

The division's primary responsibility is for real and personal property valuation which is the basis for levying the property tax. Valuations are established following state guidelines and are then certified by the Massachusetts Department of Revenue's (DOR) Bureau of Local Assessment (BLA).

The Massachusetts DOR certified the FY 2011 tax values and rates on schedule in September of 2010.

The resulting FY 2011 certified values are summarized as follows:

#### **FY 2011 Property Values:**

Residential	\$ 1,982,409,037	74.15 %
Commercial	537,738,063	20.11 %
Industrial	62,161,100	2.33 %
Personal	<u>91,179,960</u>	<u>3.41 %</u>
	<u>\$ 2,673,488,160</u>	<u>100.00 %</u>

New growth capture provided property valuation increases of \$24.95 million and an increase of \$294 thousand in new tax revenues. The FY 2011 levy limit calculation is presented below:

FY 2010 Levy Limit	\$ 31,489,548
Allowable 2.5% Increase	787,239
New Growth	<u>294,228</u>
FY 2011 Levy Limit	\$ 32,571,015
Add Debt Exclusions	<u>2,036,052</u>
Maximum Allowable Levy	\$ 34,607,067
Unused FY 2011 Levy	<u>\$ 12,130</u>
Actual FY 2011 Tax Levy	<u>\$ 34,594,937</u>

The resulting tax rate per \$1,000 in assessed value for FY 2011 was \$12.94.

The unused tax levy is solely the function of tax rates being calculated out to only two decimal places, as required by the Department of Revenue. This will almost always result in some amount less than one tenth of one percent of the maximum allowable levy being unused in a given year.

The Board of Selectmen held the FY '11 Classification Hearing, as required annually of all municipalities by the Department of Revenue. The purpose is to vote on either a single tax rate for all classes of property or to have a "split" tax rate, i.e., a higher rate for business and a lower rate for residential. The Board of Selectmen accepted the Board of Assessors' recommendation to maintain a single tax rate. Although eight area towns have adopted a split rate, a single rate in Foxborough was deemed an important ingredient to continue to maintain and stimulate commercial development.

The staff was busy during the year assisting in the transition to quarterly tax billing, updating property records, processing deeds and permits, as well as managing the various abatement and exemption programs. The staff also manages motor vehicle excise tax administration. The perpetual re-listing of all property, required every ten years, is also ongoing.

### **Accounting Division**

The Accounting Division, staffed by Assistant Accounting Officer Jodi Cuneo, and Accounts Payable Clerk Christine Dupras, continues to devote much of their effort to weekly expenditure controls. They are extremely thorough in ensuring, as per their authority, every town wide invoice is compliant with the state's strict procurement laws and that payrolls are compliant with Town contracts and by-laws. All town wide expenditure requests are processed weekly in development of the weekly payroll and expenditure warrants.

The Assistant Accounting Officer performs multiple weekly and monthly reconciliations to ensure that the Town's general ledger and all of its funds and subsidiary ledgers are accurate, balanced and compliant with DOR requirements. The division reviews budget to actual variances, manages encumbrances and reports on all ledgers monthly. They provide regular reporting to departments and ably assist all town wide departments with many accounting matters throughout the year.

In addition to the regular and considerable accounting duties, the Assistant Accounting Officer manages town wide administration of fuel and telephone allocations, sick and vacation time tracking, worker's compensation and related annual audits, unemployment, self-insurance, off duty police and fire detail payroll, grants and betterments.

The Assistant Accounting Officer also provides exceptional budget process support by compiling, organizing, proofing, copying, and updating all budget requests and ultimately entering all approved budgets into the accounting system.

The division is required to submit many and various comprehensive financial reports throughout the year to the Department of Revenue. One critical report, Schedule A, is required in order to continue receiving the Town's State Aid and another is required to certify the Town's available funds, i.e. "Free Cash", before they can be appropriated. The division is very diligent in working to meet these time sensitive deadlines. Timely reporting support for education costs incurred in non-education budgets is also provided to the School Department for their important annual report to the Dept. of Education.

The Town has a contract with the firm of R. E. Brown & Co., a firm that audits only municipalities in Massachusetts. The Town received a clean audit opinion for FY 2010. A copy is on file for public inspection, as well as on the Town's website at [www.Foxboroughma.gov](http://www.Foxboroughma.gov) on the Finance Administration page. We are currently in the process of finalizing the FY 2011 audit. Unaudited preliminary FY 2011 statements can be found in the back of this publication.

The Town Accountant issues financial statements that are compliant with Governmental Accounting Standards Board (GASB) statement No. 34 (GASB 34). This is a dramatic financial reporting change for all state and municipal governments nationwide and continues to contribute to a delay in their annual development in Foxborough due to substantially increased reporting and complexity combined with very limited accounting staff.

This reporting model moves away from a partial accrual model to a full accrual model. A management discussion and analysis section covering GASB specified topics is also a requirement. Further, capital assets, including infrastructure assets, are now included, as well as associated depreciation.

Another major GASB pronouncement impacting all municipalities nationwide is GASB 45. The Town is required to hire an actuary to calculate the full liability associated with retiree health benefits. That liability was calculated to be \$62.2 million on a pay-as-you-go basis, or \$30.6 million if we were to adopt a full pre-funding approach. The liability is amortized over 30 years. The actuarial report and executive summary materials are available on the Town's website, at [www.foxboroughma.gov](http://www.foxboroughma.gov) on the Audit Committee home page. The result will be included, on a phased in basis, in the Town's financial statements and actuarially updated every two years, at the Town's cost. The next update is in process and is scheduled to be completed by Spring of 2012.

Although the Town's unfunded actuarial liability (UAL) compares very favorably to other cities and towns, according to the actuarial consultant, the liability is real, large and should be managed prudently so as to not jeopardize the Town's excellent credit rating or its financial stability. The common benchmark used to compare the size of one town's UAL to another is the ratio of the UAL divided by the Annual Covered Payroll. The Town's ratio was 104.8% on a full pre-funded basis, 212.7% on a pay-as-you-go basis. The actuarial consultant has found the norm to be about 161% and 313%, respectively. Foxborough's favorable ratio is attributed to the less costly attributes of the Foxborough health plan, including the share of premium split and the mandatory Medicare enrollment at age 65.

At the end of fiscal 2011, the Town had \$1.88 million in the OPEB Trust dedicated to this liability. As referenced earlier in this report, the Town is committed to annually dedicate funding towards this liability from Meals Tax receipts. The Water & Sewer Commissioners are also contributing the requisite funding share from the Water & Sewer enterprise funds, which cover their employees. The Board of Selectmen (BOS) also took an important step this past year by requiring that early retirees (pre 65) contribute to their health insurance premiums at the same percentage as regular retirees (post 65). In the past early retirees were allowed to contribute only 30% of the cost their health insurance premiums, whereas regular retirees contribute 50%. Upon recommendation of the Audit Committee, the BOS voted, as is their authority, to phase in a change bringing the early retirees contributions to 50% over two years. We are expecting that this change will have a positive impact in reducing the Town's OPEB liability, as the liability reflects the cost to Town for

funding the cost of retiree's health insurance premiums.

### **Revenue Division**

The Revenue Division is led by Treasurer / Collector Lisa Sinkus and is staffed by Assistant Revenue Officer Paula Maloney, and clerks Jessica Minton and Kelly Rivard.

The division is responsible for management and oversight of the Town's cash, debt, billing and collections, vendor payments, as well as Town wide benefits administration and payroll. In addition the office recently assumed responsibility for passports and trash program administration.

The Revenue Division relies on automation in order to manage an increasing workload. The division continues to work hard at leveraging all low to no cost automation options across its operations.

Specifically, the on-line payment option for motor vehicle excise tax, real estate and personal property tax, water and sewer bills, and semi-annual trash fees continues to be offered through the Town's website [www.foxboroughma.gov](http://www.foxboroughma.gov). Although it is being used successfully by many, to be frank, we continue to be disappointed by the low level of utilization. It is a safe and convenient way to pay these bills via a bank debit. There is no cost to use this service. One can even set the date they want the payment to be deducted from their bank account and avoid any risk of having a late payment. However, for those that pay these bills electronically, the vast majority use their own bank's online check service. When doing this, because the remittance is not sent when paying like that, our lock-box service can't process the payment and that results in higher processing costs and more labor intensive work for this office. More frustrating for the bill payer is that many will not send their payment until too close to the due date, and due to the bill payers' bank's slow processing and the very manual nature of processing these payments once received, the bill payer can be subject to late fees and interest. So we strongly urge electronic bill payers to use the free, safe, convenient and very efficient on-line bill payment service available through the Town's website.

The Collector's office successfully planned and managed the change from semi-annual property tax billing to quarterly tax billing beginning in fiscal 2012. Town meeting adopted this change at the May 2010 Annual Town Meeting and Foxborough now joins the overwhelming majority of cities and towns in the state.

The primary reason for making this change is to allow the Assessing office adequate time to properly prepare all property valuations in a timely and efficient manner. Given that the Town adopted a state statute allowing the capture of new property value growth through June 30 of the preceding tax year, coupled with the deadline of mid-August to have all property values certified in order to meet the semi-annual deadline of committing tax, it is just an impractical schedule to manage. By changing to quarterly billing, the Assessors' office has three more months to finalize property values for certification. This more civilized schedule is one that most other communities adopted long ago due to the unworkable nature of the semi-annual statutory deadlines.

The Collector's office has posted important information about the new Quarterly Tax Payment Program on the Town website on the homepage under "Quick Links" and on the Revenue Office page. Although one just need remember that there will be four payments in the course of the year instead of two and that the first two (*billed in the 1<sup>st</sup> mailing*) will be estimates, and the last two (*billed in the 2<sup>nd</sup> mailing*) will reflect an adjustment based on the certified value of one's property. Please pay close attention to your tax bill, as it will look different, and to the informational inserts accompanying your bill.

In May of 2011, the Revenue office volunteered to absorb the work of managing passport applications for residents. The Town Clerk's office was notified that, as an issuer of Birth Certificates, under federal law, that office will no longer be allowed to also manage passport applications due to a new national security law. This new law was not unique to Foxborough, as it affected all other Town's offering the passport service. However, many of our surrounding towns decided to drop the service rather than figure out a way to continue to serve their community. This has resulted in many residents from these communities also coming to the Foxborough Revenue office to have their passport application serviced. Retaining this service at Town Hall will now result in retaining at least \$7,000 in annual passport fee revenue.

The Collector continues to utilize deputy collector (for delinquent taxes) Kelley & Ryan. Kelley & Ryan is the dominant deputy collector for Massachusetts municipalities. They have direct links with the Registry of Motor Vehicles database and have offices in many of the remaining Registry's branches. Their significant investment in internet technology, accessible by the Town, has streamlined

the process of resolving and ultimately collecting delinquent Motor Vehicle Excise taxes.

The Town did not issue any permanent financing in FY '11. However, now that the Library project is moving into the construction phase we are planning to bond this project in the Spring of 2012. We will likely combine this offering with the bonding for the Oak Street Water Treatment project in order to provide an attractive investment offering to the market.

We are currently involved in a refunding (*similar to a refinancing*) of some of the Town's debt due to the current interest rate environment that is synching up nicely with the call provisions in these bonds. We will likely complete this refunding in late Winter and expect to save hundreds of thousands of dollars in interest on the existing bonds.

Total general treasury activity for FY 2011, capturing the flow of all Town funds, including payroll, expenses, grants, federal and state aid, bond proceeds and payments, and trust fund activity is summarized as follows:

Balance as of 06/30/10	\$ 27,161,760
Gross Receipts	80,470,527
Gross Disbursements	<u>(78,736,034)</u>
Balance as of 06/30/11	<u>\$ 28,896,253</u>

FY 2011 investment earnings on cash balances declined again as interest rates continued to remain at very low levels. Mindful of the turmoil in the banking industry, the Treasurer continues to be extremely diligent in ensuring that all deposits are in the strongest and highest rated banks, consistent with the higher priorities of all treasurers - safety and liquidity. Given the extra risk seen in the banking industry over the last couple of years, the Town has gravitated towards collateralized deposit agreements.

For the first time since the downturn in the economy Foxborough's property tax collection performance improved in FY 2011. Collections increased by 114 basis points, or \$347 thousand, in FY 2011. 1.25%, or \$431 thousand, of property taxes were outstanding at fiscal year end. Unfortunately, offsetting this improvement somewhat, tax liens on prior year's balances have increased again by \$84 thousand in FY '11 and totaled \$700 thousand at FYE '11. This increase in tax liens follows a \$140 thousand increase in these accounts over FY '09 & '10. Unfortunately, increases in the Town's tax receivables balances results in a dollar for dollar reduction in the Town's free cash certification.

The Treasurer awaits the final recommendations of the Town Asset Review Committee (TARC) regarding a public auction or sale of tax possession properties. The TARC is reviewing these parcels along with all other Town owned parcels. The Treasurer has provided information regarding all tax possession parcels with the understanding that the TARC is preparing to put these parcels back onto the tax roles, where they were originally, as well as provide needed one-time funding for one-time Town needs.

### **Information Services Division**

The Information Services Division is responsible for all hardware and application software in use at the Town Hall and other municipal buildings and is under the leadership of I.S. Director Paul Bortolotti. Although the municipal information systems were significantly stabilized under the newly centralized I.S. model in 2009, the I.S. team has been ably managing system improvements throughout the last two years in addition to providing critical day-to-day support to municipal employees in the use and maintenance of their information systems.

The significant system improvements this past year included a “forklift” upgrade to the Town’s MUNIS financial system. In order to complete a required upgrade to the latest version of software, all servers had to be upgraded, as well as the database application. This was a large scope project because it effects several department’s day-to-day operations. However the project was managed incredibly well with no disruptions or issues thanks to the excellent efforts of our I.S. team.

### **In Summary**

The Foxborough Finance Department is proud to deliver the level of services it does with the resources provided. The department is committed to providing quality service to our customers and tax payers every day. We welcome public comments, questions and constructive feedback.

Thank you to the entire Finance team, veteran and new member alike, for your continued extraordinary efforts and dedication throughout the year.